

1 EDMUND G. BROWN JR.
Attorney General of California
2 GLORIA A. BARRIOS
Supervising Deputy Attorney General
3 SCOTT J. HARRIS
Deputy Attorney General
4 State Bar No. 238437
300 So. Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 897-2554
6 Facsimile: (213) 897-2804
Attorneys for Complainant

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8 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
9 **STATE OF CALIFORNIA**

10 In the Matter of the Accusation Against:

Case No. AC-2009-28

11 **JAY JEFFREY SHAPIRO**
12 **2934 1/2 Beverly Glen Circle #268**
Los Angeles, CA 90077
13 **Certified Public Accountant Certificate**
No. CPA 25964,

A C C U S A T I O N

14 **and**

15 **JAY J. SHAPIRO, C.P.A., A**
16 **PROFESSIONAL CORPORATION**
2934 1/2 Beverly Glen Circle #268
17 **Los Angeles, CA 90077**
Professional Corporation Certificate
18 **No. COR 3652**

19 Respondents.

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21 Complainant alleges:

22 **PARTIES**

- 23 1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as
24 the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.
25 2. On or about March 31, 1978, the California Board of Accountancy (Board) issued
26 Certified Public Accountant Certificate Number CPA 25964 to Jay Jeffrey Shapiro (Respondent
27 Shapiro). Charges of unprofessional conduct were filed against Respondent Shapiro by the Board
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1 in Accusation No. AC-93-9, dated September 25, 1992. On July 1, 1993, the Board's Decision in
2 the matter of Accusation No. AC-93-9 became effective and Certificate No. CPA 25964, issued to
3 Respondent Shapiro, was revoked; however, said revocation was stayed, and Respondent was
4 placed on probation for three years with terms and conditions. Respondent Shapiro's Certified
5 Public Accountant Certificate was in full force and effect at all times relevant to the charges
6 brought herein and will expire on June 30, 2010, unless renewed.

7 3. On or about May 17, 1991, the Board issued Professional Corporation Certificate
8 Number COR 3652 to Jay J. Shapiro, C.P.A., A Professional Corporation (Respondent Firm).
9 The Professional Corporation Certificate was in full force and effect at all times relevant to the
10 charges brought herein and will expire on May 31, 2009, unless renewed.

11 JURISDICTION

12 4. This Accusation is brought before the Board under the authority of the following
13 laws. All section references are to the Business and Professions Code unless otherwise indicated.

14 5. Section 5100 of the Code states:

15 "After notice and hearing the board may revoke, suspend, or refuse to renew any permit or
16 certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing
17 with Section 5080), or may censure the holder of that permit or certificate for unprofessional
18 conduct that includes, but is not limited to, one or any combination of the following causes:

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20 "(h) Suspension or revocation of the right to practice before any governmental body or
21 agency.

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23 "(l) The imposition of any discipline, penalty, or sanction on a registered public accounting
24 firm or any associated person of such firm, or both, or on any other holder of a permit, certificate,
25 license, or other authority to practice in this state, by the Public Company Accounting Oversight
26 Board or the United States Securities and Exchange Commission, or their designees under the
27 Sarbanes-Oxley Act of 2002 or other federal legislation."

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1 6. Section 5150 of the Code states:

2 "An accountancy corporation is a corporation which is registered with the California
3 Board of Accountancy and has a currently effective certificate of registration from the board
4 pursuant to the Moscone-Knox Professional Corporation Act, as contained in Part 4 (commencing
5 with Section 13400) of Division 3 of Title 1 of the Corporations Code, and this article. Subject to
6 all applicable statutes, rules and regulations, an accountancy corporation is entitled to practice
7 accountancy. With respect to an accountancy corporation, the governmental agency referred to in
8 the Moscone-Knox Professional Corporation Act is the California Board of Accountancy."

9 7. Section 5156 of the Code states:

10 "An accountancy corporation shall not do or fail to do any act the doing of which or the
11 failure to do which would constitute unprofessional conduct under any statute, rule or regulation
12 now or hereafter in effect. In the conduct of its practice, it shall observe and be bound by such
13 statutes, rules and regulations to the same extent as a person holding a permit under Section 5070
14 of this code. The board shall have the same powers of suspension, revocation and discipline
15 against an accountancy corporation as are now or hereafter authorized by Section 5100 of this
16 code, or by any other similar statute against individual licensees, provided, however, that
17 proceedings against an accountancy corporation shall be conducted in accordance with Chapter 5
18 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and
19 the board shall have all the powers granted therein."

20 8. Section 5063 of the Code states, in pertinent part:

21 "(a) A licensee shall report to the board in writing of the occurrence of any of the following
22 events occurring on or after January 1, 1997, within 30 days of the date the licensee has
23 knowledge of these events:

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25 (3) The cancellation, revocation, or suspension of the right to practice as a certified public
26 accountant or a public accountant before any governmental body or agency.

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1 (b) A licensee shall report to the board in writing the occurrence of any of the following
2 events occurring on or after January 1, 2003, within 30 days of the date the licensee has
3 knowledge of the events:

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5 (3) Any notice of the opening or initiation of a formal investigation of the licensee by the
6 Securities and Exchange Commission or its designee."

7 9. Section 5107, subdivision (a) of the Code states:

8 "The executive officer of the board may request the administrative law judge, as part of the
9 proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate
10 found to have committed a violation or violations of this chapter to pay to the board all reasonable
11 costs of investigation and prosecution of the case, including, but not limited to, attorneys' fees.
12 The board shall not recover costs incurred at the administrative hearing."

13 DISCIPLINE BY THE SECURITIES AND EXCHANGE COMMISSION

14 10. On or about July 29, 2008, the United States Securities and Exchange Commission
15 (SEC) issued an Order Making Findings and Imposing Remedial Sanctions in Accounting and
16 Auditing Enforcement Release No. 2852 and Administrative Proceeding No. 3-12793 against
17 Respondents. The Order denied Respondent Firm the privilege of appearing or practicing before
18 the SEC as an accountant. Further, the Order censured Respondent Shapiro, but continued to
19 permit Respondent Shapiro the privilege of practicing before the SEC as an independent
20 accountant, provided that the accounting firm with which Respondent Shapiro associates is
21 registered with the Public Company Accounting Oversight Board (PCAOB).

22 11. The discipline by the SEC resulted from Respondent Firm's issuance of an audit
23 report dated January 12, 2004 for a public company for the year ended September 30, 2003. In
24 performing the audit, Respondent Firm failed to register with the PCAOB, a violation of Section
25 102(a) of the Sarbanes Oxley Act, which became effective on October 22, 2003. As a result, it
26 was determined by the SEC that Respondent Shapiro and Respondent Firm did not possess the
27 requisite qualifications to represent a public company before the PCAOB.

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1 12. The SEC Order includes the following findings:

2 a. Respondent Firm audited the 2003 financial statements of Daleco, a
3 Nevada Corporation, which were included in Daleco's annual report for the fiscal year ended
4 September 30, 2003; filed with the SEC on January 14, 2004.

5 b. Respondent Firm prepared and issued an audit report dated
6 January 12, 2004, which was included in Daleco's Form 10-KSB for the fiscal year ended
7 September 30, 2003.

8 c. Although Respondent Firm issued the Daleco audit report, it was not
9 registered with the PCAOB.

10 d. Respondent Shapiro participated in auditing the 2003 financial statements
11 include in Daleco's annual report for fiscal year ended September 30, 2003, on Form 10-KSB,
12 filed with the SEC on January 14, 2004.

13 e. Respondent Shapiro participated in the preparation and issuance of the
14 Daleco report, which was included in Daleco's Form 10-KSB.

15 f. Respondent Firm received \$40,800 for conducting the audit of Daleco's
16 2003 financial statements and for issuing the Daleco audit report on those statements, which was
17 later reimbursed along with \$10,964.72 in interest by Respondents.

18 FIRST CAUSE FOR DISCIPLINE

19 (Suspension of Practice Before A Governmental Agency – Respondent Firm)

20 13. Respondent Firm is subject to discipline pursuant to Code sections 5100, subdivision
21 (h), 5150 and 5156, in that Respondent Firm's privilege to practice before the SEC, a
22 governmental agency, was suspended or revoked, as more fully discussed in paragraphs 10
23 through 12, above, which are herein incorporated by reference as set forth in whole.

24 SECOND CAUSE FOR DISCIPLINE

25 (Imposition of Discipline by Governmental Agency – Respondents Firm and Shapiro)

26 14. Respondent Firm and Respondent Shapiro are subject to discipline pursuant to Code
27 sections 5100, subdivision (l), 5150 and 5156, in that the SEC imposed discipline, or sanctions,
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1 on Respondent Firm and Respondent Shapiro, as more fully discussed paragraphs 10 through 12,
2 above, which are herein incorporated by reference as set forth in whole.

3 THIRD CAUSE FOR DISCIPLINE

4 (Failure to Report Investigation – Respondents Firm and Shapiro)

5 15. Respondent Firm and Respondent Shapiro are subject to discipline pursuant to Code
6 sections 5063, subdivision (b)(3), 5050 and 5156, in that Respondent Firm and Respondent
7 Shapiro failed to report to the Board in writing within thirty (30) days the opening or initiation of
8 a formal investigation by the SEC. The circumstances are as follows: Respondents were notified
9 by the SEC through Administrative Proceeding File No. 3-12793 Notice of Hearing dated
10 September 13, 2007 of the SEC investigation, which resulted in discipline by the SEC as more
11 fully discussed in paragraphs 10 through 12, above. Thereafter, Respondents failed to report the
12 opening of the investigation by the SEC to the Board.

13 FOURTH CAUSE FOR DISCIPLINE

14 (Failure to Report Suspension by SEC – Respondent Firm)

15 16. Respondent Firm is subject to discipline pursuant to Code sections 5063, subdivision
16 (a)(3), 5150 and 5156, in that Respondent Firm failed to report to the Board within thirty (30)
17 days the suspension of the right to practice as a certified public accountant before the SEC, a
18 governmental body or agency, which Respondent Firm learned of on or about July 29, 2008, as
19 more fully discussed in paragraphs 10 through 12, above. Thereafter, Respondent failed to report
20 the suspension to the Board

21 PRAYER

22 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
23 and that following the hearing, the California Board of Accountancy issue a decision:

24 1. Revoking or suspending or otherwise imposing discipline upon Certified Public
25 Accountant Certificate Number CPA 25964, issued to Jay Jeffrey Shapiro;

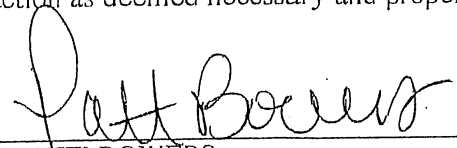
26 2. Revoking or suspending or otherwise imposing discipline upon Professional
27 Corporation Certificate Number COR 3652, issued to Jay J. Shapiro, C.P.A., A Professional
28 Corporation;

1 3. Ordering Jay Jeffrey Shapiro and Jay J. Shapiro, C.P.A., A Professional Corporation
2 to pay the California Board of Accountancy the reasonable costs of the investigation and
3 enforcement of this case, pursuant to Business and Professions Code section 5107;

4 4. Taking such other and further action as deemed necessary and proper.

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6 DATED:

JULY 2, 2009


PATTI BOWERS
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant

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